

OGEMAW COUNTY PUBLIC TRANSIT

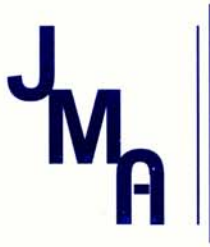
AUDIT REPORT

SEPTEMBER 30, 2008

OGEMAW COUNTY PUBLIC TRANSIT

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James M. Anderson, P.C.

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INDEPENDENT AUDITOR'S REPORT

November 25, 2008

Board of Commissioners
Ogemaw County
West Branch, Michigan 48661

I have audited the accompanying financial statements of the business-type activities and major fund of the Ogemaw County Public Transit, an Enterprise Fund of Ogemaw County, as of and for the year ended September 30, 2008, as listed in the table of contents. These statements are the responsibility of the Transit's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note A, the financial statements present only the Ogemaw County Public Transit and do not purport to, and do not, present fairly the financial position of Ogemaw County, Michigan, as of September 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

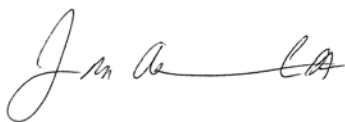
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and major fund of the Ogemaw County Public Transit, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

In accordance with Government Auditing Standards, I have also issued a report dated November 25, 2008, on my consideration of the Ogemaw County Public Transit's internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3-6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Ogemaw County Public Transit, an Enterprise Fund of Ogemaw County, basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Ogemaw County Public Transit. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

OGEMAW COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Using this Annual Report

Our discussion and analysis of the Ogemaw County Public Transit's financial performance provides an overview of the Transit's financial activities for the fiscal year ended September 30, 2008. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Transit and present a longer-term view of the Transit's finances.

Overview of the Financial Statements

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Transit:

- . The first two statements are financial statements that provide both long-term and short-term information about the Transit's overall financial status. These statements report information about the Transit, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Transit's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Transit's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Transit as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Public Transit as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Transit, as a whole, and about its activities in a way that helps answer the question of whether the transit, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transit's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

OGEMAW COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

The two statements, mentioned above, report the Transit's net assets and how they have changed. The reader can think of the Transit's net assets (the difference between assets and liabilities) as one way to measure the Transit's financial health or financial position. Over time, increases or decreases in the Transit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Transit you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Transit's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Public Transit as Whole

The Transit's net assets increased approximately 2%, or \$14,091, from \$673,504 to \$687,595 for the year ended September 30, 2008. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position improved slightly in 2008. The contributed Equity and Investment in Capital Assets had a net increase of \$10,158 while the unrestricted net assets increased by \$3,933. This is primarily due to an overall decrease in revenues of \$78,504 compared to a net increase in expenses of \$42,204.

The net assets as of the year ended September 30, 2008, are as follows:

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 359,344	\$ 342,978	\$ 16,366	4.77
Capital Assets	<u>389,917</u>	<u>379,759</u>	<u>10,158</u>	<u>2.67</u>
Total Assets	<u>749,261</u>	<u>722,737</u>	<u>26,524</u>	<u>3.66</u>
Current Liabilities	54,619	40,732	13,887	34.09
Noncurrent Liabilities	<u>7,047</u>	<u>8,501</u>	<u>(1,454)</u>	<u>(17.10)</u>
Total Liabilities	<u>61,666</u>	<u>49,233</u>	<u>12,433</u>	<u>25.25</u>
Net Assets				
Contributed equity	125,942	143,050	(17,108)	(11.95)
Invested in Capital Assets	263,975	236,709	27,266	11.51
Unrestricted	<u>297,678</u>	<u>293,745</u>	<u>3,933</u>	<u>1.33</u>
Total Net Assets	<u><u>\$ 687,595</u></u>	<u><u>\$ 673,504</u></u>	<u><u>\$ 14,091</u></u>	<u><u>2.09</u></u>

OGEMAW COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 92,369	\$ 124,005	\$ (31,636)	(25.51)
Nonoperating Revenue				
Taxes Levied for Transit	142,428	130,699	11,729	8.97
State of Michigan Operating Grants	177,578	180,447	(2,869)	(1.58)
Federal Operating Grants	78,109	80,503	(2,394)	(2.97)
Capital Grants	102,694	154,548	(51,854)	(33.55)
Rent and Other Income	20,400	19,391	1,009	5.20
Interest	8,222	14,966	(6,744)	(45.06)
Gain on Sale of Assets	6,300	2,270	4,030	177.53
Miscellaneous	225	-0-	225	100.00
Total Revenue	<u>628,325</u>	<u>706,829</u>	<u>(78,504)</u>	<u>(11.10)</u>
Operating Expense				
Salaries and Wages	238,237	228,371	9,866	4.32
Fringe Benefits	93,856	107,097	(13,241)	(12.36)
Depreciation	92,536	62,490	30,046	48.08
Other	189,605	174,072	15,533	8.92
Total Operating Expense	<u>614,234</u>	<u>572,030</u>	<u>42,204</u>	<u>7.37</u>
Income (Loss)	14,091	134,799	(120,708)	(89.54)
Beginning Net Assets	<u>673,504</u>	<u>538,705</u>	<u>134,799</u>	<u>25.02</u>
Ending Net Assets	<u>\$ 687,595</u>	<u>\$ 673,504</u>	<u>\$ 14,091</u>	<u>2.09</u>

Capital Asset and Debt Administration

At September 30, 2008, the Transit had \$389,917 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$10,158 or 2.67% as follows:

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change 2007-2008</u>
Capital Assets Not Being Depreciated			
Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	432,283	432,283	0.00
Vehicles	646,492	623,979	3.60
Equipment	<u>153,609</u>	<u>151,403</u>	<u>1.45</u>
Subtotal	<u>1,232,384</u>	<u>1,207,665</u>	<u>2.04</u>
Total Capital Assets	<u>1,232,384</u>	<u>1,207,665</u>	<u>2.04</u>
Total Accumulated Depreciation	<u>842,467</u>	<u>827,906</u>	<u>2.12</u>
Total Net Capital Assets	<u>\$ 389,917</u>	<u>\$ 379,759</u>	<u>2.67</u>

Please refer to the notes of the financial statements for more detailed information.

OGEMAW COUNTY PUBLIC TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2008

Economic Factors and Next Year's Budget

Ogemaw County Public Transit has successfully received an increase in our current millage. With the millage increase, the Transit has extended hours and days of operation to be able to meet transportation needs. Our hours of operation have been extended until 7:00 P.M. which is 2 ½ hours longer and we are now open on Saturday's from 8:00 A.M. to 4:00 P.M.

Capital expenses anticipated during the 2008/09 fiscal year include having a generator installed at our facility. This project has been approved through our Local Task Force using STP funds.

Fuel costs continue to affect our budget and all efforts are taken to help reduce unnecessary fuel usage.

It is the goal of the Ogemaw County Public Transit to provide the best possible service to our customers. As shown by our ridership figures for FY2008, many individuals in Ogemaw County depend on us as their sole means of transportation.

Shirley Buck, Director
Ogemaw County Public Transit

OGEMAW COUNTY PUBLIC TRANSIT
ENTERPRISE FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

ASSETS

Current

Cash and investments	\$ 342,534
Accounts receivable	3,893
Due from other funds	5,521
Due from State	<u>7,396</u>

Total Current Assets 359,344

Property and Equipment, less accumulated depreciation	<u>389,917</u>
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Total Assets 749,261

LIABILITIES

Current Liabilities

Accounts payable	25,376
Accrued payroll	10,285
Due to other funds	<u>18,958</u>

Total Current Liabilities 54,619

Noncurrent Liabilities

Accrued compensated absences	<u>7,047</u>
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Total Liabilities 61,666

NET ASSETS

Contributed capital	125,942
Invested in Capital Assets, net of related debt	263,975
Unrestricted	<u>297,678</u>

Total Net Assets \$ 687,595

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues	
Charges for services:	
Fare box and special fares	\$ 68,476
Vehicle maintenance	15,412
Advertising	<u>8,481</u>
Total operating revenues	<u>92,369</u>
Operating Expenses	
Salaries and wages	238,237
Fringe benefits	93,856
Materials and supplies	104,421
Services	40,869
Utilities	15,751
Casualty and liability insurance	26,946
Miscellaneous	1,618
Depreciation	<u>92,536</u>
Total operating expenses	<u>614,234</u>
Operating income (loss)	<u>(521,865)</u>
Non-operating Revenues (expenses)	
Property taxes	142,428
Federal	78,109
State	177,578
State and Federal capital grants	102,694
Rent and other income	20,400
Interest/investment income	8,222
Gain on sale of Assets	6,300
Miscellaneous	<u>225</u>
Total non-operating revenues	<u>535,956</u>
Change in Net Assets	14,091
Net Assets - October 1, 2007	<u>673,504</u>
Net Assets - September 30, 2008	<u><u>\$ 687,595</u></u>

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED SEPTEMBER 30, 2008

Cash flows from operating activities	
Cash receipts from operations	\$ 94,766
Cash payments for supplies and services	(181,112)
Cash payments for employee services and fringes	<u>(328,153)</u>
Net cash provided (used) by operating activities	<u>(414,499)</u>
Cash flows from noncapital financing activities	
Property taxes	142,428
Federal operating grants	78,109
State operating grants	346,819
Rent and other income	20,400
Miscellaneous	<u>225</u>
Net cash provided (used) by noncapital financing activities	<u>587,981</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	102,694
Sale of fixed assets	6,300
Purchase of fixed assets	<u>(102,694)</u>
Net cash provided (used) by capital and related financing activities	<u>6,300</u>
Cash flows from investing activities	
Investment income	<u>8,222</u>
Net cash provided (used) by investing activities	<u>8,222</u>
Net increase (decrease) in cash and cash equivalents	188,004
Cash and Cash Equivalents - October 1, 2007	<u>154,530</u>
Cash and Cash Equivalents - September 30, 2008	<u><u>\$ 342,534</u></u>

The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND (CONTINUED)
FOR YEAR ENDED SEPTEMBER 30, 2008

Reconciliation of operating income
to net cash provided by operating activities:

Operating income (loss)	<u>\$ (521,865)</u>
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Adjustments to reconcile operating income
to net cash provided by operating activities:

Depreciation	92,536
Decrease (increase) in accounts receivable	2,397
Increase (decrease) in accounts payable	18,257
Increase (decrease) in accrued liabilities	2,486
Increase (decrease) in due to other funds	(6,856)
Increase (decrease) in compensated absences	<u>(1,454)</u>

Total adjustments	<u>107,366</u>
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Net cash provided (used) by operating activities	<u><u>\$ (414,499)</u></u>
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The accompanying notes are an integral part of the financial statements.

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Ogemaw County Public Transit is an enterprise fund of Ogemaw County. It provides transportation services to the residents of the County.

The Public Transit is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. This financial report has been prepared to meet this state requirement.

In compliance with GASB Statement 14, these financial statements are included in the County's (oversight unit) Basic Financial Statements as an Enterprise Fund.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

This fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ogemaw County Public Transit conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Ogemaw County Public Transit. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Ogemaw County's Trust and Agency Fund. The Transit subsequently receives its portion of the levy from this fund.

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. Depreciation expense for the year ended September 30, 2008 was \$92,536.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY & EQUIPMENT

	Balance 10/01/07	Additions	Deductions	Balance 9/30/08
Building	\$ 432,283	\$ -0-	\$ -0-	\$ 432,283
Vehicles	623,979	100,488	77,975	646,492
Equipment	79,824	-0-	-0-	79,824
Office Equipment	71,579	2,206	-0-	73,785
	<u>\$ 1,207,665</u>	<u>\$ 102,694</u>	<u>\$ 77,975</u>	1,232,384
Less Accumulated Depreciation	<u>\$ 827,906</u>	<u>\$ 92,536</u>	<u>\$ 77,975</u>	<u>842,467</u>
Net Property and Equipment				<u>\$ 389,917</u>

The total depreciation expense for fiscal year ending September 30, 2008 was \$92,536. The eligible depreciation of \$5,569 (\$92,536 total depreciation less ineligible depreciation \$86,967) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Useful lives of depreciation assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	5-12 years
Office equipment	5-12 years
Computer equipment	5 years
Building	20-40 years

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE E - PENSION PLAN

Several Public Transit employees participate in the overall general Ogemaw County retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

Ogemaw County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with Ogemaw County's competitive bargaining unit and personnel policy, which requires employees to contribute 5.5 percent of their wages to the plan. Ogemaw County is required to contribute at an actuarially determined rate; the current rate was 11.40 percent at December 31, 2007.

Annual Pension Cost

During the fiscal year ended December 31, 2007, Ogemaw County's contributions totaling \$415,205 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2007. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE E - PENSION PLAN (CONTINUED)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 467,098	100%	\$ -0-
2006	481,723	100%	-0-
2007	415,205	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2005	\$15,932,074	\$17,707,113	\$1,775,039	90%	\$3,811,474	47%
2006	16,249,870	17,964,557	1,714,687	90%	3,438,846	50%
2007	17,452,258	19,333,664	1,881,406	90%	3,236,775	58%

NOTE F - COMPENSATED ABSENCES

The compensated absences balance represent benefits in which Transit employees possess a vested right to receive, upon termination or retirement from employment, in accordance with formulas established in negotiated contracts. Currently, all full time employees may accrue up to 96 hours of unused sick time. There are no provisions for accruing vacation time passed each full time employee's anniversary date.

NOTE G - CASH

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amounts</u>
Cash and investments	\$ 342,534	Petty Cash	\$ 100
		Imprest Cash	16,593
		Savings and Checking Accounts	202,906
		Investments	122,935
	<u>\$ 342,534</u>		<u>\$ 342,534</u>

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE G - CASH (CONTINUED)

Deposits - At the fiscal year ended September 30, 2008, the carrying amount of the Transit's deposits was \$219,499. This consisted of \$1,000 in a depository account, \$16,593 in an imprest checking account, and \$201,906 in a certificate of deposit held by Independent Bank. The net bank balance was \$214,998. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 53% of the total bank balance was covered by federal depository insurance.

Investments - The Transit's investment consisted of a Shearson Lehman Cadre Trust Account held by the County Treasurer, which is made up of U.S. Treasury, Agencies, and Instrumentalities, Commercial Paper, Banker's Acceptances and Repurchase Agreements which were not in the name of the Transit.

NOTE H - STATE GRANTS

The Transit has contracted with the State of Michigan for grant funds for operations and equipment. All of the monies that the Public Transit is now eligible to receive have not been disbursed to them as the projects have not been completed. As of September 30, 2008, \$28,793 is still available to the Transit under those grants.

NOTE I - RISK MANAGEMENT

The Ogemaw County Public Transit is exposed to various risks of losses related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Public Transit has the following commercial insurance coverages:

<u>Type</u>	<u>Limit</u>
Building & Liability	\$ 425,000
Contents	375,000
Vehicles	5,000,000
Workers Compensation	100,000

There are no open claims with the insurance carrier and there were no claims paid during the fiscal year ended September 30, 2008.

NOTE J - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Transit, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$17,108.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2008 \$102,694 of State/Federal Capital Grants were recorded as revenue.

Contributed Capital balances as of September 30, 2001 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

OGEMAW COUNTY PUBLIC TRANSIT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

NOTE K - COST ALLOCATION PLANS

The Ogemaw County Public Transit had three cost allocation plans in use for the year ended September 30, 2008 that had been approved by the BPT. Those cost allocations were for administrative costs, vehicle maintenance and rental income. The cost allocation plan associated with rent is between the Ogemaw County Public Transit and the Ogemaw County EMS for shared facilities. In addition, certain administrative costs of the facility are shared and allocated. This resulted in payments to the Transit of \$20,400 for the year. These cost allocation plans were adhered to in the preparation of the financial statements.

NOTE L - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87.

NOTE M - NONFINANCIAL DATA

The methodology used for compiling mileage on Schedule 8 - Mileage Data is an adequate and reliable method for recording vehicle mileage.

NOTE N - CONTINGENCIES

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit agency expects such amounts, if any, to be immaterial.

SUPPLEMENTAL SCHEDULES

SCHEDULE 1

OGEMAW COUNTY PUBLIC TRANSIT
OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2008

Operating Revenues

Demand-response (farebox)	\$ 30,796
Special Transit Fares	37,680
Vehicle Maintenance	15,412
Advertising	<u>8,481</u>
Total Operating Revenue	<u>\$ 92,369</u>

SCHEDULE 1A

SCHEDULE OF SPECIAL TRANSIT FARES
YEAR ENDED SEPTEMBER 30, 2008

Family Independence Agency	\$ 197
Ausable Valley	2,485
NBMSCA (Head start)	11,754
WB/RC Schools	139
Region 7-B	3,055
Bortz Health Care	582
Glen's Market - Senior Citizens	2,011
I.D.T.P.	11,745
Other	<u>5,712</u>
Total Special Transit Fares	<u>\$ 37,680</u>

SCHEDULE 2

OGEMAW COUNTY PUBLIC TRANSIT
OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2008

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 171,741	\$ 37,985	\$ -0-	\$ 209,726
Dispatcher's salaries and wages	28,511	-0-	-0-	28,511
Fringe Benefits				
Other fringe benefits	56,460	17,378	-0-	73,838
Pensions	15,717	4,301	-0-	20,018
Services				
Advertising	-0-	-0-	821	821
Audit cost	-0-	-0-	3,050	3,050
Other Services	10,633	4,665	21,700	36,998
Materials and Supplies Consumed				
Fuel and lubricants	81,645	-0-	-0-	81,645
Tires and tubes	1,022	-0-	-0-	1,022
Other materials and supplies	1,044	17,411	3,299	21,754
Utilities	6,711	-0-	9,040	15,751
Casualty and Liability Costs	24,639	-0-	2,307	26,946
Miscellaneous Expenses				
Leases and rentals	-0-	-0-	1,384	1,384
Other	-0-	-0-	234	234
Depreciation & Amortization	<u>90,927</u>	<u>628</u>	<u>981</u>	<u>92,536</u>
Total Expenses	<u>\$ 489,050</u>	<u>\$ 82,368</u>	<u>\$ 42,816</u>	<u>\$ 614,234</u>

SCHEDULE 3

OGEMAW COUNTY PUBLIC TRANSIT
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2008

Local Operating Grants	
Tax Levy	<u>\$ 142,428</u>
Subtotal	<u>142,428</u>
State of Michigan Operating Grants	
Formula Operating Assistance	<u>177,578</u>
Subtotal State of Michigan Operating Grants	<u>177,578</u>
Federal Operating Grants	
U.S. DOT Operating Grant - Section 5311	<u>78,109</u>
Subtotal Federal Operating Grants	<u>78,109</u>
State of Michigan Capital Grants	<u>102,694</u>
Interest Income	<u>8,222</u>
Rent and Other Income	<u>20,400</u>
Gain on Sale of Assets	<u>6,300</u>
Miscellaneous Revenue	<u>225</u>
Total Nonoperating Revenues	<u><u>\$ 535,956</u></u>

SCHEDULE 4

OGEMAW COUNTY PUBLIC TRANSIT
SCHEDULE OF CONTRIBUTED EQUITY
YEAR ENDED SEPTEMBER 30, 2008

	<u>State</u>	<u>Federal</u>	<u>Totals</u>
Balance, October 1, 2007	\$ 35,653	\$ 107,397	\$ 143,050
Deduct			
Depreciation of assets purchased from con- tributed equity	<u>4,242</u>	<u>12,866</u>	<u>17,108</u>
Balance, September 30, 2008	<u>\$ 31,411</u>	<u>\$ 94,531</u>	<u>\$ 125,942</u>

OGEMAW COUNTY PUBLIC TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal and State Grantor/Pass-Through	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Expenditures			Prior Year Expend- itures	Award Amount Remaining
				Total	Federal	State		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	07-0273/Z3	\$ 78,109	\$ 78,109	\$ 78,109	\$ -0-	\$ -0-	\$ -0-
Federal Transit Capital Grants	20.500							
Capital Grant		02-0076/Z10	8,000	-0-	-0-	-0-	4,391	3,609
Capital Grant		02-0076/Z12	157,990	-0-	-0-	-0-	154,548	3,442
Capital Grant		02-0076/Z13	10,000	-0-	-0-	-0-	-0-	10,000
Capital Grant		07-0273/Z2	8,000	2,206	2,206	-0-	-0-	5,794
Capital Grant		02-0076/Z14	106,436	100,488	80,390	20,098	-0-	5,948
Total Capital Grants			290,426	102,694	82,596	20,098	158,939	28,793
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51 Current Year	N/A	N/A	177,578	177,578	-0-	177,578	-0-	-0-
Total Federal and State Grants			\$ 546,113	\$ 358,381	\$ 160,705	\$ 197,676	\$ 158,939	\$ 28,793

OGEMAW COUNTY PUBLIC TRANSIT
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2008

	2007-0273/Z3 Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 238,237	\$ 238,237
Fringe benefits	93,856	93,856
Service	40,869	40,869
Materials & supplies	104,421	104,421
Utilities	15,751	15,751
Casualty & liability costs	26,946	26,946
Miscellaneous	1,618	1,618
Depreciation	<u>92,536</u>	<u>92,536</u>
Total Expense	<u>614,234</u>	<u>614,234</u>
Less Ineligible Expenses		
Rent income	20,400	20,400
Depreciation (less eligible)	86,967	86,967
Audit cost	3,050	-0-
Outside maintenance	15,412	15,412
Miscellaneous reimbursements	<u>225</u>	<u>225</u>
Total Ineligible Expenses	<u>126,054</u>	<u>123,004</u>
Net Eligible Expenses	<u>\$ 488,180</u>	<u>\$ 491,230</u>
Maximum Section 5311 Reimbursement (16.0%)	<u>\$ 78,109</u>	
State Operating Assistance		<u>\$ 177,584</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is to be computed at 36.1508% of the current eligible expenses.

OGEMAW COUNTY PUBLIC TRANSIT
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
SEPTEMBER 30, 2008

Rent

The Transit received \$20,400 in rent for the year ended September 30, 2008. The rental income has been deducted as ineligible.

Depreciation

Depreciation accrued from assets funded by capital grants is considered ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense Manual.

Audit cost

Any transit agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual CPA audit cost as an ineligible expense under Section 5311.

Capital Grants

Capital grant funds used to pay operating expenses are required to be treated as ineligible for calculating state and federal operating assistance. During the current year, the Transit did not have any of these type of expenses.

Outside Maintenance

The Transit agency charges Ogemaw County for repair services in accordance with a vehicle maintenance cost allocation plan. The revenues received for the fiscal year are subtracted as ineligible in accordance with the BPT R&E Manual.

OGEMAW COUNTY PUBLIC TRANSIT
MILEAGE DATA - UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Public Transportation <u>Mileage</u>
DEMAND RESPONSE	
1st Quarter	59,655
2nd Quarter	48,781
3rd Quarter	51,854
4th Quarter	<u>54,634</u>
TOTAL OPERATIONS	<u>214,924</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 25, 2008

Board of Commissioners
Ogemaw County
West Branch, MI 48661

Dear Board:

I have audited the financial statements of the business-type activity and major fund which collectively comprise the basic financial statements of the Ogemaw County Public Transit for the year ended September 30, 2008, and issued my report thereon dated November 25, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Ogemaw County Public Transit's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Ogemaw County Public Transit's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

MEMBER MACPA and AICPA

Financial Statement Preparation

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Transit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Transit has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Transit's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Transit's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Transit to perform this task internally.

A Control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ogemaw County Public Transit's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Transit's financial statements that is more than inconsequential will not be prevented or detected by the Transit's internal control. I consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Transit's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ogemaw County Public Transit's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the Board of Commissioners and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson, P.C.", written in dark ink.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

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November 25, 2008

Board of Commissioners
Ogemaw County Public Transit
West Branch, MI 48661

I have audited the financial statements of the business-type activity and major fund of the Ogemaw County Public Transit for the year ended September 30, 2008, and have issued my report thereon dated November 25, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated November 24, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Ogemaw County Public Transit. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Ogemaw County Public Transit's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Ogemaw County Public Transit are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Ogemaw County Public Transit during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ogemaw County Public Transit's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Ogemaw County Public Transit, either individually or in the aggregate, indicate matters that could have a significant effect on the Ogemaw County Public Transit's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

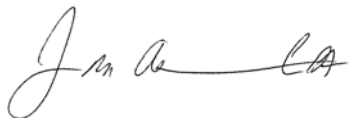
Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ogemaw County Public Transit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant